

TREASURY OFFSET PROGRAM RENDERS CIVILIAN PAY SUBJECT TO COLLECTION FOR FEDERAL DEBTS

Grafenwoehr Law Center—Civilian employees of the federal government should be aware that debts owed to federal agencies are subject to collection through the Treasury Offset Program as of the pay period that ended May 3, 2003.

The Debt Collection Improvement Act of 1996, 31 United States Code 3176, requires the federal government to withhold or reduce payments to satisfy delinquent non-tax debts owed to the United States. Department of Defense salaries and wages, federal retirement payments, social-security payments, and federal income-tax refunds are all subject to collection through the Treasury Offset Program. The Treasury Offset Program may also be used to collect delinquent debts owed to state agencies, including overdue court-ordered child-support payments.

Any DoD civilian employee who owes a debt to another government agency may be subject to a pay offset. In the past, debts owed by employees to other federal agencies were collected only by direct communication between agencies, a process that was slow and inefficient. The Treasury Offset Program allows central management of federal debts by electronic communication between agencies.

Before a federal agency refers a non-tax debt to the Treasury Offset Program for collection, the creditor agency must provide the employee with a notice of intent to offset and an opportunity to review the basis of the alleged debt. When a non-tax debt is referred to the Treasury Offset Program, the employee must be notified of the coming offset thirty days before it is initiated. The notice must include the amount of the debt, the name of the agency claiming the debt, and a point of contact at the claiming agency.

When collection is initiated through the Treasury Offset Program, the employee must be sent a second notice containing the same information as the warning letter. The offset or levy will be valid even in the event the employee does not actually receive the notice. All enquiries or rebuttals relating to payroll deductions must be addressed to the agency claiming the debt. The Defense Finance and Accounting Service cannot terminate, override, or delay these collections without the authority of the Treasury Offset Program.